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## Keeping health high on the EU agenda: role for economic governance?

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### BACKGROUND

The economic and financial crisis has demonstrated that the EU economies are interdependent, and national economic and budgetary policies impact others. As a result, the EU member states have agreed to cooperate more in order to ensure macroeconomic stability, prevent excessive macroeconomic imbalances and establish the right framework conditions for growth. Since 2011, the countries' economic and budgetary policies have been under surveillance and coordinated via a system called the European Semester, with an increasing emphasis on a significant area of public expenditure: health systems.

Between 2011 and 2014, more and more member states were given country-specific recommendations (CSRs) on improving their health systems, including long-term care. In addition, Greece, Ireland, Portugal and Cyprus received more detailed health-related instructions under their Economic Adjustment Programmes (EAPs). Only non-Eurozone countries Denmark, Sweden and the UK have been left alone. As the new European Commission is planning changes to the Semester, the approach may however change. The attempt to increase countries' ownership of the recommendations by reducing the number of objectives and focusing on areas where implementation will be easier could lead to a weaker emphasis on social issues, including health. But this will not make the problem – the sustainability of European health systems – disappear and developments in the sector will greatly determine whether countries get on the right economic track.

According to the Commission, the health sector accounts for approximately 10% of GDP and 8% of the workforce in the EU. While health systems are organised differently, in most countries over 70% of healthcare spending is funded by the public sector. The reasons for increasing pressures and expenditure are similar across the EU: population ageing and demographic change, unhealthy lifestyles leading to an increase in chronic diseases, growing demands for better care and solutions, healthcare system design and bureaucracy, and higher relative prices for healthcare inputs. According to the Commission, between 2010 and 2060, public spending on healthcare is projected to increase by 1-2% of GDP across the EU. Spending an additional 1-2% of GDP on long-term care, as projected, will add to the challenge.

Countries' responses to the health system challenge have also been uniform. As money is limited, this has led to cutting in areas with quick savings: hospital services, pharmaceuticals and staff salaries. However, cost containment without a comprehensive long-term vision raises questions about the medium and long-term impacts and risks. It fails to reward stakeholders and sectors that have carried out reforms and improved efficiency. Radical cuts do not necessarily remove existing inefficiencies and can have serious negative consequences for people's health and well-being if they undermine access to and quality of care. They run the risk of increasing long-term costs to society and the economy as people suffering from ill health put more pressure on healthcare systems, and tend to earn less, be less productive, invest less in education or save less for retirement.

Europe is faced with serious questions about the financial sustainability of both the health and public sector in the long-term, needed actions and the EU's role in helping member states to address the challenge. Thus, this paper will reflect on how the European Semester and CSRs have succeeded in promoting more sustainable and efficient health systems in Europe, the lessons learned and why health as a contributor to economic stability and growth should not be forgotten.

# STATE OF PLAY

## The European Semester and focus on health

The Semester starts with a Commission publication called the Annual Growth Survey (AGS) that identifies the economic priorities for the next year. The countries then present their medium-term budget plans together with broader economic plans. The Commission assesses these and draws up CSRs, which are discussed by the member states in the European Council. The latest AGS was published in November 2014 and the next round of recommendations is expected in mid-May 2015.

The 2011 AGS did not contain any provisions on health, but health-related recommendations were given to four member states, and to Greece and Portugal under EAPs. The 2012 AGS mentioned the necessity to reform health systems in order to improve their cost-efficiency and sustainability, which was followed by related CSRs to six countries, and instructions to three member states under EAPs (PT, GR and IE). The 2013 AGS mentioned also the need to assess healthcare systems' performance, and to ensure efficient use of public resources and access to high quality healthcare. As a follow-up, in 2013, 16 member states and four EAP-countries received health-related recommendations.

The 2014 AGS highlighted the need to strengthen the efficiency and financial sustainability of social protection systems, including healthcare, while ensuring broad access to affordable, high-quality social and health services. The CSRs asserted that attention must be paid to carrying out agreed structural reforms and addressing the long-term challenges such as demographic change. Health-related recommendations were given to 19 member states, and Cyprus and Greece under EAPs.

The 2015 AGS emphasised again the need to reform healthcare systems in order to provide quality and accessible healthcare through efficient structures. In line with the Commission's renewed emphasis on the digital agenda, a special reference was made to eHealth as a contributor to efficient healthcare. Compared to previous years, the AGS 2015 made a more limited reference to the health sector and it is expected that this will be reflected in the CSRs.

## The recommendations – challenges with objectives and implementation

Although the attempt is to identify national challenges, many of the health-related CSRs have been general and alike. This reflects the similarity between national challenges, but also the Commission's lack of resources in carrying out in-depth analyses for non-EAP countries and an unwillingness to push them in a sector that many are keen to keep as a national competence.

The health-related CSRs have focused mainly on **reforming healthcare systems, improving cost-effectiveness and securing their financial sustainability**. While some countries have received further suggestions on how to reorganise hospital care, improve patient turnover in public hospitals, develop outpatient care, increase transparency or improve management of hospital care, in general, the recommendations have been vague.

There have also been some changes over the years on the focus areas. For example, emphasis on **disease prevention** (AT, FI, SL, DE, LV and L in 2013) has declined (FI and LV in 2014). While disease prevention and health promotion in and outside the health sector are a key to limiting healthcare expenditure in the long-term, they have not received sufficient attention. In fact, the CSRs have made no reference to health promotion, not just avoiding disease but building stronger health.

**Managing the demographic change** is a challenge across the EU, and for some this has translated into a recommendation to curb age-related expenditures. The general attempt to find a societal approach to the challenge by encouraging reform of labour markets and long-term care is a welcome start. However, a comprehensive approach would also support active and healthy ageing, which builds on promoting health, preventing chronic diseases – a significant cause of age-related expenditures – and enabling people to stay independent as long as possible.

While the focus has been on cost containment, the importance of **access to healthcare services** has been recognised. In 2013 four (BG, RO, SI and EL) and in 2014 five member states (LV, PL, EL, SI and RO) received related CSRs. Although the cuts to healthcare services have made upholding access to healthcare a challenge for policymakers and care providers, ensuring access to all can reduce health inequalities, social exclusion and prevent higher healthcare and social costs in the long run.

**Reducing pharmaceutical spending** is an easy target for rationalising healthcare costs, as these expenditures are known and the results of cost containment are immediately visible under the budget line. As some countries are spending much higher GDP shares on pharmaceuticals than others, it is understandable that this has been noted in the CSRs (e.g. in 2014, for FR, ES and IE). But, as variations in spending can be explained by differences in pharmaceutical pricing, reimbursement and prescribing behaviour, the aim should not be to simply cut costs but to improve spending, while ensuring access to medications, by addressing the cost drivers. This could encourage countries, for example, to cooperate when negotiating prices with pharmaceutical companies.

Overall the recommendations fall short from guiding member states to study their health systems' performance. Not just calculating costs but evaluating the relationship between inputs and outcomes should form the basis for more sustainable health systems. In addition, the implementation of health-related CSRs has been weak. The European Parliament Report of March 2015 shows only limited progress across the EU in healthcare system reform, increasing cost-effectiveness, and pricing and supply of medical goods. Implementation has also been inconsistent: greater efforts have been put into cutting healthcare costs rather than carrying out reforms to improve their efficiency, quality or access.

Despite these weaknesses, the Commission's effort to use the Semester to demonstrate the health sector challenges across the EU, evaluate progress, provide guidance and push countries to act has initiated an important discussion. The Semester has brought to light and enabled open comparison of national challenges. Building on the lessons learned, it could become a powerful tool in promoting smarter spending and in encouraging a more comprehensive approach to maximising health gains. If the 2015 CSRs will put a weaker emphasis on the health sector, it would send a signal that this is no longer an important area for action. It is essential to counteract such a message. As the state of health systems will be a major contributor to the EU's economic stability and growth, it is in the EU's and member states' interest to collaborate and learn from each other in order to ensure accessibility, resilience and effectiveness of the systems.

## PROSPECTS

Whether through the European Semester or other tools, the EU should play a stronger role in promoting more sustainable health systems in Europe. While the Commission does not have the competence and the resources to become an expert on different systems' specificities and the details should be left for member states, it can play an important role in highlighting areas for action and guiding countries on improving their spending on health. However, to succeed the EU must address the following issues:

**Lack of ownership** in CSRs has translated into weak implementation. This is a lesson to keep in mind when pursuing collaboration with member states, also outside the Semester. The starting point is better involvement of key national stakeholders in the discussion and encouraging exchange of notes on challenges, lessons learned and needed actions. As delivery of healthcare services is organised differently on national level, being sometimes regional and/or local authorities' responsibility, involving them in the discussion is key. In addition, national parliaments and civil society could play an important role in translating the EU's recommendations into national action.

**The EU must endorse the value of health in its own communication with member states and encourage them to see health as an investment.** Disease prevention, together with access to healthcare and social services should not be purely seen as a cost. They are an investment. Healthier people who require less support from public budgets and healthcare systems create a healthier, more productive society and labour force. Sustainable health systems create the basis for a healthier economy while helping to reduce health inequalities, social exclusion and poverty. This is an asset that must be valued.

The health sector is also an important source of employment, innovation and possibilities for growth. For example, countries should share practices in using existing human resources – the unemployed, senior citizens and immigrants – to meet the sector's growing staff demand. Innovation in processes, products and services can contribute to meeting the challenges in the sector. An ageing population provides a great potential for deploying new solutions, for which there will also be a need outside the EU. The Commission must use EU funds and the internal market to encourage investments in health innovation: developing and deploying new solutions, medicines or technologies, but also finding ways to improve healthcare systems and delivery. It must encourage innovation that is evidence-based, responds to identified needs and aims to improve patient outcomes, health systems' quality and productivity, and economic growth.

**A better understanding of the cost-effective drivers for health, the relationship between inputs and outputs in a healthcare system, and which measures provide the best return on investment is needed.** The Commission's ongoing work on assessing the performance of European health systems is a welcome effort. Encouraging discussion and sharing of best practices between countries should help to demonstrate that calculating the costs of healthcare

systems and spending on hospitals, staff, hospital beds, pharmaceuticals and medical devices, is only a story of inputs. Use of output-oriented indicators is also needed, such as the time and cost of achieving desired health outcomes. The value of outputs, be it a healthier population and workforce, prevention of complications and diseases, or resulting savings in healthcare, social and employment costs, must be recognised. If health is not valued as an outcome and outcomes are not translated into economic terms, it is impossible to make smart decisions where money should be saved, costs cut and efficiency increased. National authorities must be encouraged to improve health data collection and monitoring of outcomes, and use this information to support policy making and reforms within health systems.

**A more comprehensive approach to improving healthcare delivery** is needed across the EU. This should start by educating health professionals not just to treat sick people but also to prevent diseases. Reform of healthcare systems requires addressing the imbedded inefficiencies, such as a lack of continuation of care, failure to computerise information, investment in technologies and solutions that are not cost-effective, and over-prescription of drugs that are not effective or lead to further complications. It is vital to improve coordination and integration between different parts of the healthcare system, including primary, hospital, specialised and out-patient care, but also between healthcare and social care.

The reforms and new approaches should be pursued with the citizen's long-term wellbeing in mind. This means building services for them by taking their views and needs into account. At the same time, citizens need to be encouraged to become more responsible for their own health. They should understand their rights, responsibilities and benefits that come from remaining healthy and be encouraged to manage their health and healthcare. National authorities, regions, cities, employers, healthcare providers and private sector can all contribute to empowering citizens by increasing health literacy and access to information, and by encouraging healthy choices.

**Making health systems sustainable also requires a wider societal approach.** It requires co-operation between all private and public organisations that can improve, maintain and restore the health of European citizens. It is essential that they focus not only on care but on supporting the social, environmental and economic determinants of health. Preventable health problems, leading to early retirement, sick leave and poor educational or work achievement, are costly for Europe. Chronic diseases such as heart disease, cancer, respiratory disease and diabetes cause 86% of deaths and 77% of the disease burden in Europe, of which many could be prevented by tackling unhealthy lifestyles, such as smoking, bad diets, harmful use of alcohol and physical inactivity. While the benefits are known, only about 3% of health spending is used for health promotion and disease prevention. As the Commission recognises health promotion and disease prevention as a key priority, it should encourage countries to compare notes on the direct and indirect costs of preventable diseases and benefits of health promotion for society. Tools such as the Semester should guide member states to make prevention and health promotion an integral part of health services. In addition, countries must be encouraged to adopt a society-wide approach, starting with joint budgeting across ministries, to ensure that all policies are in line with promoting health, healthier lifestyles and environments.

If the EU is serious about getting countries' economic and budgetary policies in order, this requires addressing the sustainability of health systems. The Juncker Commission's declared intention to focus on less areas in order to be more effective and improve the European Semester mechanism should not lead to removing health from the EU agenda. Smart reforms and investments are urgently needed in the health sector and the Commission must continue to support these efforts across the EU by providing a platform for sharing lessons learned and giving guidance on the direction – in or outside the Semester.

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